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State treasurer touts local-lending initiative

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SUN / David H. Brow State Treasurer Steve Grossman meets with bankers at Lowell Five Cent Savings Bank Friday to discuss his program to lend the bank and other local banks millions, which they will then lend to local small businesses.

LOWELL -- Lowell Five Cent Savings Bank is the first bank headquartered in Lowell to join state Treasurer Steve Grossman's program to lend millions of dollars in state funds to local banks, the treasurer announced Friday.

Grossman's office wired \$5 million to Lowell Five this week so it could use the funds to lend to local businesses to promote economic growth as part of the treasurer's Small Business Banking Partnership.

The treasurer made the announcement after a meeting in Lowell with local bankers set up by state Sen. Eileen Donoghue, a Lowell Democrat, so Grossman could market his program to move money out of large banks into community banks.

Richard Bolton, chairman and chief executive officer of Lowell Cooperative Bank, told the treasurer Friday his bank wants an application for the small-business lending program, and leaders of Washington Savings Bank and Enterprise Bank also indicated interest, said Grossman.

"I'm optimistic that in relatively short time there will be 100 percent participation in the program for banks headquartered in Lowell," Grossman said during a meeting with The Sun's editorial board Friday. "It will be a strong signal that the business environment in the city is geared towards creating new jobs."

Also Friday, Grossman told the editorial board he is increasing the maximum amount of funds banks participating in his lending program can request from \$5 million to \$10 million. The treasurer said he is upping the amount

of funds available to each bank because there is a growing demand for lending capital in the recovering economy.

The banks eligible for the increase in funds have to have already enrolled in the banking program and lent 80 percent of the funds they have received.

Since the program began in May, 37 banks have joined and nearly \$160 million of funds have been deposited in local banks. Grossman hopes by the end of March between \$250 million and \$300 million will be in 50 community banks in the state.

"Massachusetts taxpayers' money should be in Massachusetts banks to lend to Massachusetts businesses, so they can

create jobs here," Grossman said. "It is obvious."

All the money the Treasurer's office deposits in community banks is protected by insurance or collateral. The interest rate on the lent funds is similar to what the state receives from out-of-state financial institutions.

Lowell Five Cent Savings Bank Chairman Robert Caruso said he initially had reservations about taking part in the state program because concerns his bank would have to lend only to businesses owned by minorities and women, as well as businesses that will increase employment among low- and moderate-income groups.

But he said after expressing his concerns publicly late last month in a Sun article, Donoghue contacted him. She then reached out to Grossman's office and the treasurer contacted Caruso.

Grossman assured Caruso the treasury did not want to dictate how the money was lent, as long as it was lent to small businesses, so Caruso signed up his bank.

"We are very excited to participate. The treasurer's program gives the local banks an opportunity to lend to small businesses and create some new jobs," Caruso said. "The overall program makes a lot of sense because no taxpayer money is at risk."

Caruso said his bank plans to roll out its participation in the program next week and will focus on lending the funds to businesses that want to expand in Greater Lowell or relocate to the area. He praised Grossman for expanding the amount of money banks can request as part of the program.

"We could have \$10 million to put back into the Greater Lowell business community and potentially areas in the state where we currently don't do much lending," he said.

With the new nanotechnology center in the works at UMass Lowell, as well as the Merrimack Valley Sandbox, and a strong banking community, Greater Lowell is poised to capitalize on the growing innovation economy, said Grossman.

"I think this region will flourish," he said.